

Message Text

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43

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E.O. 11652: N/A

TAGS: BTRA, EFIN, SU

SUBJ: VISIT OF CHASE MANHATTAN DELEGATION

REF: STATE 023885

1. SUMMARY: CHASE DELEGATION DEPARTED KHARTOUM AFTER MOST SUCCESSFUL VISIT. DELEGATION IMPRESSED WITH PEOPLE THEY MET AND POTENTIAL OF COUNTRY. EQUALLY IMPORTANT THEY FOUND GOS OFFICIALS REALISTIC ABOUT PROBLEMS FACING COUNTRY AND POSSIBLE COURSES OF ACTION TO RESOLVE THESE ISSUES. DELEGATION WILL RECOMMEND HEAD OFFICE APPROVE CHASE PARTICIPATION IN PROPOSED MERCHANT BANK HERE. END SUMMARY.

2. CHASE MANHATTAN DELEGATION HEADED BY WAYNE FREDERICKS AND DAVID BUCKMAN (REFTTEL) BUT ALSO INCLUDING REGIONAL REP KEN LUSSIER FROM NAIROBI AND PETER NICE, SECOND VIP FROM LONDON OFFICE, CONCLUDED EMINENTLY SUCCESSFUL VISIT TO KHARTOUM MARCH 12. DELEGATION ARRIVED AT BEST SKEPTICAL ABOUT ADVISABILITY PARTICIPATING IN PROPOSED TRIAD MERCHANT BANK HERE (KHARTOUM A-9) AND WORRIED ON REALIZING THAT GOS CLEARLY ASSUMED THAT CHASE PARTICIPATION FOREGONE CONCLUSION. FREDERICKS AND BUCKMAN INSISTED DAVID ROCKEFELLER HAD GIVEN NO SUCH COMMITMENT AND NOTED THAT WITH DEADLINE OF MARCH 28 (DATE WHEN BANKING LICENSE APPROVED BY NIMEIRI WILL EXPIRE) IT WOULD BE MOST DIFFICULT FOR CHASE RESPOND POSITIVELY EVEN IF IT SO DESIRED (TRIAD REP INDICATED PRIVATELY DEADLINE USEFUL TO FOCUS ACTION BUT ANY NEEDED EXTENSION WOULD POSE NO PROBLEM).

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3. BY TIME OF DEPARTURE, HOWEVER, DELEGATION FULLY CONVINCED

CHASE SHOULD PARTICIPATE IN AND MANAGE MERCHANT BANK HERE. NICE, WHO RETURNED LONDON MARCH 12, SENDING TELEGRAM NEW YORK TO THIS EFFECT AND WILL FOLLOW UP WITH TRIP TO NEW YORK TO PRESENT FULL REPORT TO CHASE BOARD APPROXIMATELY MARCH 18. HE HOPES BE BACK IN KHARTOUM WITH CHASE AGREEMENT ON MARCH 25. IF APPROVED AS DELEGATION PROPOSES, CHASE WOULD HAVE FULL MANAGEMENT CONTRACT. UNDER ITS TERMS, BOARD CAN REPLACE MANAGING DIRECTOR BUT CANNOT REPEAT NOT MODIFY CONTRACT. MANAGEMENT OPERATIONS WOULD BE ASSURED BY SECONDMENT THREE AMERICAN CHASE OFFICIALS. CHASE WOULD TAKE 25 PERCENT EQUITY (ABOUT \$500,000), TRIAD WOULD HAVE 40 PERCENT, GOS 25 PERCENT AND FRENCH BANK (WE BELIEVE CREDIT COMMERCIAL DE FRANCE) REMAINING 10 PERCENT. IN ADDITION TO GETTING CHASE MANAGEMENT AND FEDERAL RESERVE BOARD APPROVAL, ONE SNAG MAY BE CHASE INSISTENCE ON MINIMUM 25 PERCENT WHICH WILL REDUCE TRIAD SHARE. TO DATE THERE HAS BEEN NO RESPONSE ON THIS POINT FROM TRIAD, BUT CHASE OFFICIALS BELIEVE THAT TO SETTLE FOR LESS (20 PERCENT ORIGINALLY PROPOSED) WOULD AMOUNT TO GIVING AWAY CHASE NAME.

4. AS WOULD BE EXPECTED FROM POSITIVE REACTION ON BANK PROPOSAL, DELEGATION HIGHLY IMPRESSED BY WHAT THEY SAW AND PEOPLE THEY MET. IN PARTICULAR THEY FOUND SUDANESE REALISTIC ABOUT PROBLEMS FACING COUNTRY AND PRACTICAL IN APPROACHES BEING CONSIDERED MEET THESE DIFFICULTIES. WHILE LOCAL STATISTICS REMAIN PROBLEM, DELEGATION WAS ABLE DEVELOP FIGURES FOR CALENDAR 1973 WHICH THEY SAID HAD SUBSTANTIALLY IMPROVED PESSIMISTIC CONCLUSIONS EARLIER CHASE DESK STUDY DONE IN NEW YORK.

5. COMMENT: AS EMBASSY HAS REPORTED, ESTABLISHMENT THIS BANK WITH FIRM CHASE MANAGEMENT, AS PART OVERALL DEVELOPMENT OPERATION DETAILED OUR A-9, COULD BE MAJORSGOON FOR BOTH SUDAN AND US. NOT ONLY WOULD IT BE CONTINUATION OF TREND OF INCREASING MAJOR ACTIVITY IN SUDAN ON PART REPUTABLE US FIRMS, BUT CHASE WITH ITS CONNECTIONS SHOULD BE PARTICULARLY SUCCESSFUL IN INTERESTING OTHER LARGE US FIRMS IN LOCAL INVESTMENT POSSIBILITIES. MOREOVER, CHASE IDENTIFICATION WITH, AND LARGELY UNFETTERED MANAGEMENT OF, PROPOSED MERCHANT BANK IS GOOD GUARANTEE OPERATIONS WILL BE CONDUCTED IN ACCORDANCE RESPONSIBLE INVESTMENT PRACTICES. PROJECTS TO BE FINANCED SHOULD THUS CARRY HIGH EXPECTATION RETURN, OR BORROWED FUNDS WILL NOT BE COMMITTED. LIMITED OFFICIAL USE

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IN EITHER CASE, DEBT BURDEN ON SUDAN SHOULD BE MANAGEABLE. BREWER

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